



Rockland Electric Company
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September 1, 2006

Ms. Kristi Izzo, Secretary
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: Universal Service Fund Program

Dear Secretary Izzo:

Rockland Electric Company ("RECO") appreciates this opportunity to comment on the BPU Staff straw proposal of June 14, 2006 (Straw Proposal).

Predictable Program Costs

RECO agrees with Staff that the Universal Service Fund (USF) program is not intended to be a comprehensive social program. As such, RECO supports an aggregate cap on annual funding that balances the interests of low-income customers with the interests of all those remaining utility customers who will fund the permanent USF program. The impact of today's high energy costs is being felt not just by the Company's low-income customers, but by the majority of residential, commercial and industrial customers that are not otherwise eligible for energy assistance. Limitations must be placed on program costs in order to provide some degree of protection for these customers. USF funding should be predictable for maximum efficiency in administering such programs and capped in the interest of fairness to all New Jersey utility customers.

RECO also agrees with Staff that all applicants should be required to apply for USF benefits within a designated time frame and that the benefit would be for a fixed period of time based upon annual pre-determined funding levels.

Fresh Start Benefit

In the past, RECO has agreed to support arrears forgiveness provided the benefit was capped at a reasonable amount (*i.e.*, \$250). However, in light of the Straw Proposal's conclusion that "No aspect of the Report demonstrates that the Fresh Start program has any significant impact on changing customer payment patterns," RECO agrees with Staff that the Fresh Start Benefit should be eliminated.

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In the absence of firm, empirical evidence that the Fresh Start Program has a lasting impact on altering customer behavior and eliminating the risk of future arrears, utility customers should not be required to fund this program. Moreover, elimination of Fresh Start underscores Staff's position that USF is an energy assistance program, not a debt relief program.

Administrative Costs

Although RECO believes that USF should be properly staffed, as noted in the Staff's comments, there is a fundamental lack of adequate support at this time for additional funding for the administrative costs incurred by the service providers (DHS, OIT, and DCA). Additionally, as Staff points out, there is no evidence that increasing funding for administrative costs will improve the effectiveness of the USF programs. Moreover, the elimination of the Fresh Start Program, as proposed by Staff, should serve to reduce administrative costs.

In any event, requests for additional funding for administrative services cannot be seriously entertained until the service providers achieve a higher level of accountability for their spending. As provided in the Staff's Straw Proposal, service providers should be required to submit: (1) detailed budgets for future expenditures; (2) reports of how past monies were spent; and (3) thorough explanations of what any additional monies are needed for and the benefits that will be provided with any proposed increases to administrative costs. Given the amount of ratepayer funds at issue, such requirements are absolute necessities.

Addressing the Needs of Deliverable Fuel Customers

Regarding the issue raised during workshops and public hearings of providing assistance to residents who heat through sources other than electric or gas, RECO believes it would be excessive and unreasonable to extend USF benefits to this segment of the population. Since USF is funded by collections from customers of the seven electric and gas companies to assist customers needing financial help paying electric and gas bills, it is not appropriate for USF to be used to assist non-customers with their fuel costs. If advocacy groups believe some form of assistance is needed, they should consult with legislative leaders in Trenton to develop a fair and reasonable approach for assisting deliverable fuel customers that does not require electric and gas customers to subsidize alternate fuels for these customers.

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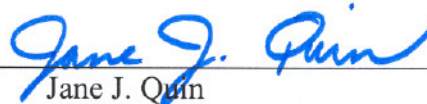
Communications

RECO agrees with Staff recommendations that communication to potential beneficiaries of the USF program should be improved. In addition to striving for more effective promotion, communications should be extended to linking the USF program with energy efficiency and conservation information. Effective home energy management techniques can help customers lower their bills. Customers should be provided a consistent, coordinated message on energy usage and bill impacts.

Respectfully submitted,

ROCKLAND ELECTRIC COMPANY

By:



Jane J. Quinn

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